

JEFFERSON COUNTY PUBLIC SCHOOLS
Jefferson County Board of Education
For the Fiscal Year Ended June 30, 2005

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Jefferson County Board of Education


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Independent Auditors' Report



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Board of Education (the "Board") as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2005, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis (Unaudited) on pages 3 through 12 and the Budgetary Comparison Information on pages 41 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed on pages 45 through 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Board's basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2005 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Strothman & Company PSC

Louisville, Kentucky
December 20, 2005

Management's Discussion and Analysis (Unaudited)

Jefferson County Board of Education

June 30, 2005

Introduction

Our discussion and analysis of the Jefferson County Board of Education (the "Board") financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2005. The intent of this Management's Discussion and Analysis ("MD&A") is to look at the Board's financial performance as a whole. It should be read in conjunction with the Board's financial statements.

Financial Highlights

Serving more than 97,000 students, the Board is the largest in Kentucky and the 31st largest in the United States. We maintain 150 schools and education centers: 87 elementary, 22 middle, 19 high, 9 special education, and 13 others. The overall financial position of the Board remains strong and stable with an operating budget of \$849.6 million.

At every grade level, our scores on the Commonwealth Accountability Testing System have risen. In addition, our Head Start early childhood program received excellent reviews on its annual federal evaluation, and a Kentucky Department of Education audit revealed that the district met or exceeded 50 of 55 standards for school improvement. Our students and teachers continue to win awards and reach new goals in numerous academic areas. For example, more than 4,900 high school students enrolled in 186 Advanced Placement classes during the 2004-2005 school year, and, in May of 2005, scores on more than 1,800 AP tests were high enough to earn our students college credit. Overall, our class of 2005 earned over \$75.5 million in college scholarships. Our 5,800 teachers have an average of 12 years of experience; 83% have a master's degree or higher; and 100% are certified for the subject and grade level they teach. The student-teacher ratio is 17 to 1. The student attendance rate for 2004-2005 was 93.75%.

The Board is challenged to implement new student and financial enterprise systems mandated by the Commonwealth of Kentucky. This mandate has resulted in extensive dollars being expended to enhance the new systems to meet the needs of the Board.

On the District-wide financial statements, the assets of the Board exceeded liabilities by \$157.3 million. The Board's total net assets increased by \$17.1 million for the fiscal year ended June 30, 2005. The Board's governmental funds financial statements reported combined ending fund balance of \$109.5 million. Of this total, \$18.9 million is unreserved in the general fund. However, due to an increase in operating costs such as diesel fuel and utilities, along with the needs of specific instructional programs to include preschool and intervention strategies, it is necessary to maintain a fund balance to support these initiatives.

Jefferson County Board of Education

June 30, 2005

Overview of the Financial Statements

The annual report contains:

- Management's Discussion and Analysis ("MD&A")
- District-wide financial statements and fund financial statements
- Notes to Financial Statements
- Other required supplementary information, including statements for nonmajor governmental and fiduciary funds

This annual report consists of a series of financial statements. The District-wide statements, the Statement of Net Assets and the Statement of Activities, provide an overview of the Board's finances. The fund financial statements and governmental activities statements tell how these services were financed in the short term, as well as, what remains for future spending. The fund financial statements also report the Board's operations in more detail than the District-wide financial statements by providing information about the Board's most significant funds. The remaining statements provide financial information about activities for which the Board acts solely as a trustee or agent for the benefit of those outside of the Board.

Reporting the Board as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Board as a whole begins with the District-wide financial statements. One of the most important questions raised about the Board's finances is whether the Board as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board's net assets and changes in them. The Board's net assets, the difference between assets and liabilities, is one way to measure its financial health. Increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to special programs being supported on a non-recurrent basis for start-up costs on preschool program enhancements and new student and financial enterprise systems. To evaluate the Board's overall health, review other non-financial factors, such as changes in the Board's property tax base and the condition of the Board's school buildings and other physical assets.

The District-wide financial statements are divided into two categories:

- **Board activities:** Most of the Board's basic services are reported here, including instruction, student support services, instructional staff support services, administrative support services, school administrative support services, business support services, central office support, transportation, and plant operations and maintenance. Property taxes, occupational taxes, the Commonwealth's Support Education Excellence in Kentucky ("SEEK"), other Commonwealth support, and state and federal grants finance most of these activities.

Jefferson County Board of Education

June 30, 2005

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- **Business-type activities:** School food services and tuition-based preschool are the two activities considered as business-type activities of the Board. A fee is charged for these activities to assist the Board in covering the cost of these services, therefore, they are classified as business-type activities.

Reporting the Board's Most Significant Funds

Fund Financial Statements

Our analysis of the Board's major funds provide detailed information about the most significant funds—not the Board as a whole. Some funds are required to be established by State law and bond covenants. However, other funds are established as needed to help control and manage money for particular purposes (such as Special Activities Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (for example, grants received from the federal and state governments). The Board's two kinds of funds, governmental and proprietary, use different accounting approaches. The Board also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described above. These funds are not included in the District-wide financial statements, but are described below.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Governmental funds: Most of the Board's basic activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using accounting methods called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between the governmental activities (reported in the District-wide Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

Proprietary funds: When the Board charges students or parents for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the District-wide Statement of Net Assets and Statement of Activities. In fact, the Board's proprietary funds are the same as the business-type activities we reported in the District-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the Board. These funds are not reflected in the District-wide financial statements because the resources of these funds are not available to support the Board's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

Management's Discussion and Analysis (Unaudited)--Continued

Jefferson County Board of Education

June 30, 2005

The Board as a Whole

The following is a summary of the Board's net assets:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 191,882,751	\$ 182,193,889	\$ 6,483,304	\$ 6,394,162	\$ 198,366,055	\$ 188,588,051
Capital assets, net of depreciation	455,905,705	430,864,050	36,090,472	36,918,288	491,996,177	467,782,338
Total Assets	647,788,456	613,057,939	42,573,776	43,312,450	690,362,232	656,370,389
Short-term liabilities	95,401,914	102,123,169	1,734,317	1,678,686	97,136,231	103,801,855
Other liabilities	405,198,904	383,359,409	30,762,510	29,025,311	435,961,414	412,384,720
Total Liabilities	500,600,818	485,482,578	32,496,827	30,703,997	533,097,645	516,186,575
Net Assets						
Invested in capital assets, net of related debt	37,737,498	34,485,470	3,721,962	6,409,377	41,459,460	40,894,847
Restricted	90,506,118	69,614,393	-	-	90,506,118	69,614,393
Unrestricted	18,944,022	23,475,498	6,354,987	6,199,076	25,299,009	29,674,574
Total Net Assets	\$ 147,187,638	\$ 127,575,361	\$ 10,076,949	\$12,608,453	\$ 157,264,587	\$ 140,183,814

The following is a summary of the Board's changes in net assets:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service	\$ 2,109,406	\$ 2,665,619	\$ 13,142,171	\$13,088,073	\$ 15,251,577	\$ 15,753,692
Operating grants & contributions	99,114,316	114,972,239	24,345,010	23,176,039	123,459,326	138,148,278
General revenues						
Local taxes	381,244,176	363,179,584			381,244,176	363,179,584
State sources	350,894,238	314,991,493			350,894,238	314,991,493
Other	13,479,611	13,089,200	3,053,239	1,284,603	16,532,850	14,373,803
Total Revenues	846,841,747	808,898,135	40,540,420	37,548,715	887,382,167	846,446,850
Expenses						
School operation & administration	811,539,513	811,837,477			811,539,513	811,837,477
School food services			39,916,643	37,795,112	39,916,643	37,795,112
Other business-type activities			1,791,037	1,209,476	1,791,037	1,209,476
Interest on debt service	15,689,957	14,560,330	1,364,244	1,904,532	17,054,201	16,464,862
Total Expenses	827,229,470	826,397,807	43,071,924	40,909,120	870,301,394	867,306,927
Change in net assets	\$ 19,612,277	\$ (17,499,672)	\$ (2,531,504)	\$ (3,360,405)	\$ 17,080,773	\$ (20,860,077)

Management's Discussion and Analysis (Unaudited)--Continued

Jefferson County Board of Education

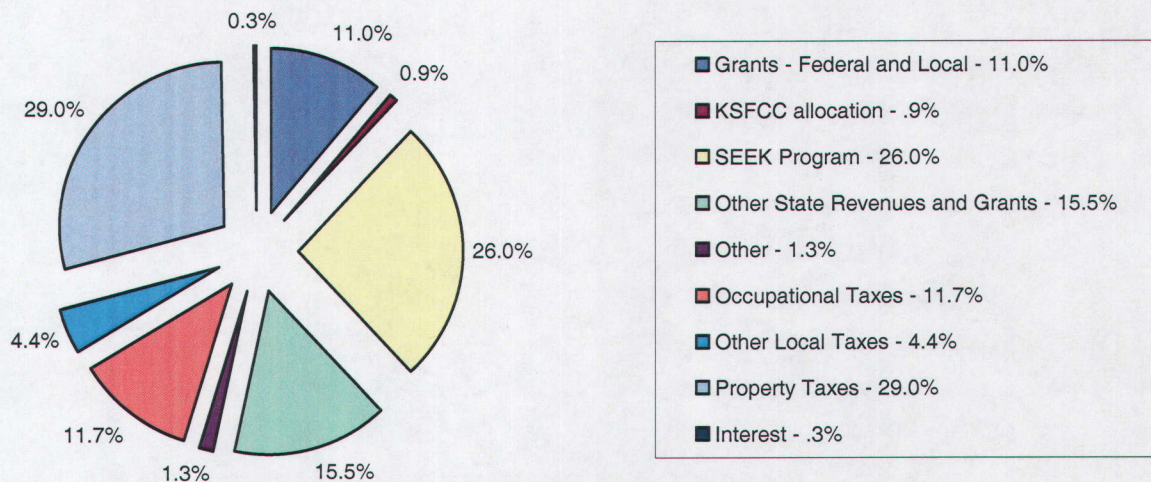
June 30, 2005

Governmental Activities

The following schedules provide a comparison of the revenues and expenditures for the current and previous years based on the fund financial statements:

Revenues	2005	2004	Change
Local Sources:			
Property Taxes	\$ 245,207,965	\$225,667,659	\$19,540,306
Occupational Taxes	98,668,074	92,594,658	6,073,416
Other Taxes	37,368,137	44,917,267	(7,549,130)
State Sources:			
SEEK Program	219,920,355	216,763,593	3,156,762
Other State Revenues and Grants	130,973,883	127,155,398	3,818,485
KSFCC allocation	8,012,992	6,154,246	1,858,746
Grants (federal and local)	93,210,730	81,757,069	11,453,661
Interest	2,737,452	1,368,839	1,368,613
Other Sources	10,742,159	12,519,406	(1,777,247)
Total Revenues	\$ 846,841,747	\$808,898,135	\$37,943,612

Revenue Sources



Management's Discussion and Analysis (Unaudited)--Continued

Jefferson County Board of Education

June 30, 2005

The total taxable property valuation and property tax collections for the Board increased again last fiscal year. A partial countywide reassessment of real property as of January 1, 2005, will result in another increase in total taxable valuations and real property tax collections for the fiscal year ending June 30, 2006. Occupational taxes also show an increase of 6.6% as a result of the strengthening local economy.

Revenues in the major governmental funds increased by \$37.9 million. Local tax revenue continued its trend of annual increases from the preceding year, principally in property taxes (\$19.5 million), a result of higher property valuations. Intergovernmental revenues from the Commonwealth of Kentucky are slightly higher than the previous year, with a SEEK increase of \$3.2 million and a \$3.8 million increase in other state support.

Business-type Activities

Operating revenue of the Board's business-type activities remained stable during the year. School Food Service increased \$.2 million, Adult Education revenue was \$.6 million, Tuition Preschool revenue decreased \$.3 million and total operating expenses for proprietary funds increased \$2.7 million.

Management's Discussion and Analysis (Unaudited)--Continued

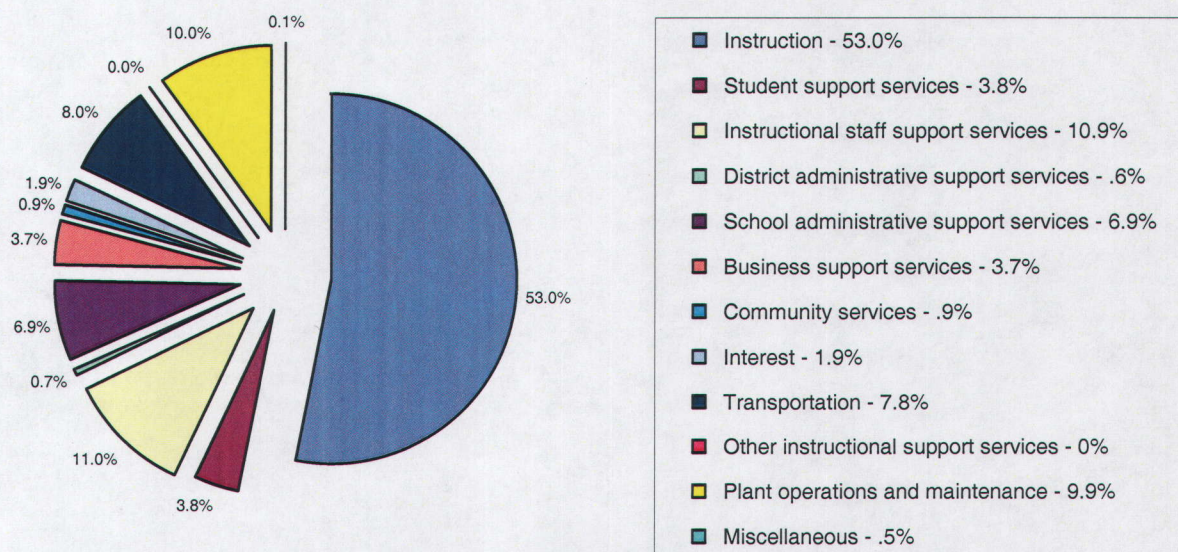
Jefferson County Board of Education

June 30, 2005

The following summary is a comparison of total District-wide expenditures for governmental activities:

Expenditures	2005	2004	Change
Instruction	\$438,549,182	\$454,546,232	(\$15,997,050)
Student support services	31,611,802	35,439,129	(3,827,327)
Instructional staff support services	90,658,246	80,202,494	10,455,752
District administrative support services	5,455,412	3,279,259	2,176,153
School administrative support services	57,352,788	55,147,767	2,205,021
Business support services	30,856,882	42,305,745	(11,448,863)
Community services	7,524,914	7,629,436	(104,522)
Transportation	65,876,930	50,982,142	14,894,788
Plant operations and maintenance	82,449,507	75,855,452	6,594,055
Other instructional support services	337,688	122,788	214,900
Miscellaneous	866,162	6,327,033	(5,460,871)
Interest	15,689,957	14,560,330	1,129,627
Total Expenditures	\$827,229,470	\$826,397,807	\$831,663

Expenditure Categories



Management's Discussion and Analysis (Unaudited)--Continued

Jefferson County Board of Education

June 30, 2005

General Fund Budgetary Highlights

The Board's Draft Budget is presented to the members of the Board of Education by January 31 each year, followed by a Tentative (Original) Budget by May 30, and, once the members of the Board of Education approve tax rates in September, the Working (Final) Budget is submitted to the Kentucky Department of Education by September 30. In the Commonwealth of Kentucky, school districts are required to budget the prior year's fund balances in line items for both revenues and expenditures. General fund revenues exceeded budget by \$99.4 million, and expenditures exceeded budget by \$80.1 million. Both of these variances are due primarily to the receipt of other state revenues related to in-kind contributions and expenditures of said contributions for employee benefits that are not budgeted as mandated by the Kentucky Department of Education.

Capital Assets and Debt Administration

Capital Assets

At the end of June 30, 2005, the Board's investment in capital assets for its governmental and business-type activities was \$467.5 million, representing an increase of \$15.1 million (net of depreciation), as shown in the following tables:

Governmental activities:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Percent Change</u>
Land and improvements	\$ 49,184,725	\$ 43,752,998	12.4%
Buildings and improvements *	683,796,876	661,762,737	3.3%
Technology	98,921,430	94,412,680	4.8%
Buses and vehicles	65,870,979	56,364,504	16.9%
Furniture, fixtures and other	<u>21,414,948</u>	<u>20,253,251</u>	5.7%
Total	919,188,958	876,546,170	4.9%
Less: accumulated depreciation	<u>487,791,396</u>	<u>461,080,961</u>	5.8%
Governmental assets net of depreciation	<u>\$431,397,562</u>	<u>\$ 415,465,209</u>	3.8%

*Buildings and improvements increase of \$22.0 million can be attributed in part to renovations at Bloom Elementary (\$4.5 million) and Binet School (\$1 million) and improvements at Moore Traditional School (\$4.3 million), Southern Leadership Academy (\$2.5 million), Ballard High School (\$2.1 million), Middletown Elementary (\$1.5 million), Chenoweth Elementary (\$1.3 million), Wilder Elementary (\$1.3 million), Portland Elementary (\$1.1 million) plus smaller renovation projects.

Management's Discussion and Analysis (Unaudited)--Continued

Jefferson County Board of Education

June 30, 2005

Business-type activities:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Percent Change</u>
Land and improvements	\$ 1,000,000	\$ 1,000,000	
Vehicles	972,468	972,468	
Computers	623,952	572,882	8.9%
Equipment	21,830,732	21,458,953	1.7%
Buildings	<u>40,135,231</u>	<u>40,087,231</u>	0.1%
Total	64,562,383	64,091,534	0.7%
Less: accumulated depreciation	<u>28,471,911</u>	<u>27,173,246</u>	4.8%
Business-type assets net of depreciation	<u>\$ 36,090,472</u>	<u>\$ 36,918,288</u>	-2.2%
Total Capital Assets Governmental and Business-type activities	<u>\$467,488,034</u>	<u>\$ 452,383,497</u>	3.3%

A long-range facility plan is developed by Board facility personnel through evaluation of every building, identification of appropriate renovations and analysis of demographic census to determine future growth needs. All findings are shared with each school for review by staff, SBDM councils and PTA. Adjustments are made to the plan after the reviews.

The long-range facility plan provides a detail of the unmet needs for the Board for the next ten years. The plan is submitted to the Kentucky Department of Education for approval. At June 30, 2005, the unmet needs for the Board totaled an estimated cost of \$355 million.

Funding for these needs is typically provided through Bond issues. Bond issues are paid with either Building Funds (local 5-cent property tax), State Capital Outlay funds at \$100 per student or the State Facility Construction Commission ("SFCC") funds. There are also general fund dollars for small-scale projects. To ensure continued academic success for our students, we must provide a learning environment that is safe, functional, inviting and well-maintained.

Additional information on the Board's capital assets can be found in Note E of this report.

Debt Service Fund

At year-end, the Board had approximately \$410.5 million in outstanding debt, compared to \$387.3 million last year. The Board continues to maintain high debt ratings from Moody's and Standard & Poor's.

Jefferson County Board of Education

June 30, 2005

Local Economic Outlook

The economic forecast for the Jefferson County area remains stable despite the current economic slowdown with job weakness in most sectors and job losses in manufacturing. The County generally is part of one of the most resilient regional economies in America. Inherent strength can be found in the balance among the educational, health and social services, manufacturing, professional services, retail trade, tourism, insurance, and transportation sectors. Most new jobs in recent years have come in services and construction.

Jefferson County's central location, extensive transportation network and quality of life are factors in attracting and maintaining a healthy business community. The City's average unemployment rate decreased to 5.1 percent in 2004 from 5.5 percent in 2003. The City, however, continues to be below the state average of 5.4% in 2004.

Enrollment in the Board's 150 schools has remained relatively stable for several years. The County had a record-breaking year in 2000 for single family homes, a trend that remained strong in 2001. The growth in new construction and home sales led to an increase in the assessed valuation. Home prices are still below the national average but rose faster than incomes in the 1990's, partly because of strong job growth at UPS.

Jefferson County has funded significant investment in infrastructure improvements to facilitate economic growth, including the renovation of the riverfront parks, and the newly merged Metro Louisville government is focusing on increasing the supply of affordable housing.

Contacting the Jefferson County Public School Management

This financial report is designed to provide a general overview of the finances of the Jefferson County Public School Board and to show management's accountability for these funds. If you have questions about this report or need additional information, contact the Chief Financial Officer/Treasurer of the Jefferson County Board of Education, P. O. Box 34020, Louisville, Kentucky 40232-4020.

Statement of Net Assets

Jefferson County Board of Education

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 106,728,574	\$ 4,136,639	\$ 110,865,213
Investments	42,720		42,720
Accounts and grants receivable from outside sources	78,658,593	2,636,004	81,294,597
Inventories	4,702,225	1,875,447	6,577,672
Capital assets, net of accumulated depreciation	431,397,562	36,090,472	467,488,034
Construction in progress	24,508,143		24,508,143
Internal balances	1,750,639	(2,164,786)	(414,147)
Total Assets	647,788,456	42,573,776	690,362,232
Liabilities			
Accounts payable and accrued liabilities due to outside sources	56,651,574	128,317	56,779,891
Deferred revenue	20,281,340		20,281,340
Estimated liability for workers' compensation benefits	9,549,697		9,549,697
Accrued vacation pay	6,213,717		6,213,717
Accrued sick leave	29,773,000		29,773,000
School building revenue bonds			
Due within one year	18,469,000	1,606,000	20,075,000
Due in more than one year	359,662,490	30,762,510	390,425,000
Total Liabilities	500,600,818	32,496,827	533,097,645
Net Assets			
Invested in capital assets, net of related debt	37,737,498	3,721,962	41,459,460
Restricted for			
Capital projects and construction	56,724,992		56,724,992
Other purposes	33,781,126		33,781,126
Unrestricted	18,944,022	6,354,987	25,299,009
Total Net Assets	\$ 147,187,638	\$ 10,076,949	\$ 157,264,587

See Notes to Financial Statements

Statement of Activities

Jefferson County Board of Education

Year Ended June 30, 2005

Functions/Programs	Total District-wide Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 438,549,182	\$ 2,109,406	\$ 91,101,324	\$ (345,338,452)
Student support services	31,611,802			(31,611,802)
Instructional staff support services	90,658,246			(90,658,246)
District administrative support services	5,455,412			(5,455,412)
School administrative support services	57,352,788			(57,352,788)
Business support services	30,856,882			(30,856,882)
Community services	7,524,914			(7,524,914)
Transportation	65,876,930			(65,876,930)
Plant operations and maintenance	82,449,507		8,012,992	(74,436,515)
Other instructional support services	337,688			(337,688)
Other	866,162			(866,162)
Interest	15,689,957			(15,689,957)
Total governmental activities	827,229,470	2,109,406	99,114,316	(726,005,748)
Business-type activities				
School food services	41,280,887	11,640,077	24,345,010	(5,295,800)
Adult education	824,934	579,633		(245,301)
Tuition-based pre-school	966,103	922,461		(43,642)
Total business-type activities	43,071,924	13,142,171	24,345,010	(5,584,743)
Total Activities	\$ 870,301,394	\$ 15,251,577	\$ 123,459,326	\$ (731,590,491)
		Governmental Activities	Business-Type Activities	Total
Changes in net assets				
Net Expense		\$ (726,005,748)	\$ (5,584,743)	\$ (731,590,491)
General revenues				
Taxes				
Property taxes		245,207,965		245,207,965
Occupational taxes		98,668,074		98,668,074
Other taxes		37,368,137		37,368,137
State sources				
SEEK program		219,920,355		219,920,355
Other state revenues and grants		130,973,883		130,973,883
Interest and investment earnings		2,737,452	71,097	2,808,549
District support			2,982,142	2,982,142
Miscellaneous		10,742,159		10,742,159
Total general revenues		745,618,025	3,053,239	748,671,264
Change in net assets		19,612,277	(2,531,504)	17,080,773
Net assets, beginning of year, as restated		127,575,361	12,608,453	140,183,814
Net assets, end of year		\$ 147,187,638	\$ 10,076,949	\$ 157,264,587

See Notes to Financial Statements

Balance Sheet - Governmental Funds

Jefferson County Board of Education

June 30, 2005

	General Fund	Grants & Awards Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 92,588,829	\$ 23,710	\$ 10,179,453	\$ 3,936,582	\$ 106,728,574
Investments	42,720				42,720
Accounts and grants receivable from outside sources	18,388,026	39,247,540	21,023,027		78,658,593
Inventories	4,702,225				4,702,225
Due from other funds	52,752,748	20,520,032	31,490,709	6,265	104,769,754
Total Assets	\$ 168,474,548	\$ 59,791,282	\$ 62,693,189	\$ 3,942,847	\$ 294,901,866
Liabilities					
Accounts payable and accrued liabilities due to outside sources	\$ 54,205,143	\$ 1,868,092	\$ 559,755	\$ 18,584	\$ 56,651,574
Due to other funds	56,238,217	37,641,850	5,408,442	3,730,606	103,019,115
Deferred revenue		20,281,340			20,281,340
Estimated liability for workers' compensation benefits	5,499,697				5,499,697
Total Liabilities	115,943,057	59,791,282	5,968,197	3,749,190	185,451,726

Continued

Balance Sheet - Governmental Funds--Continued

Jefferson County Board of Education

June 30, 2005

Fund Balances	General Fund	Grants & Awards Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Reserved for:					
Encumbrances	8,385,244		13,107,879	187,392	21,680,515
Inventories	4,702,225				4,702,225
State mandated reserve	20,500,000				20,500,000
Unreserved, designated			43,617,113	6,265	43,623,378
Unreserved	18,944,022				18,944,022
Total Fund Balances	52,531,491		56,724,992	193,657	109,450,140
Total Liabilities and Fund Balances	\$ 168,474,548	\$ 59,791,282	\$ 62,693,189	\$ 3,942,847	\$ 294,901,866
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities					
Total Governmental Fund Balances					\$ 109,450,140
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					455,905,706
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds					(418,168,208)
Net Assets of Governmental Activities					\$ 147,187,638

See Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds

Jefferson County Board of Education

Year Ended June 30, 2005

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Local sources							
Property taxes	\$ 222,169,810					\$ 23,038,155	\$ 245,207,965
Occupational taxes	98,668,074						98,668,074
Other taxes	32,292,591					5,075,546	37,368,137
State sources							
SEEK program	211,677,385					8,242,970	219,920,355
Other state revenues	99,966,546		\$ 31,007,337			8,012,992	130,973,883
KSFCC allocation							8,012,992
Grants (principally United States government and local agencies)			93,210,730				93,210,730
Interest	2,040,687	\$ 48,168	32,381		\$ 551,149	65,067	2,737,452
Other sources	6,673,607	220,522	1,927,528		1,817,751	102,751	10,742,159
Total Revenues	673,488,700	268,690	126,177,976		2,368,900	44,537,481	846,841,747
Expenditures							
Instruction	369,824,411		67,768,807				437,593,218
Student support services	28,968,826		2,573,952				31,542,778
Instructional staff support services	41,583,816	43,464	47,565,766				89,149,582
District administrative support services	3,729,161		36,342				3,765,503
School administrative support services	57,002,066		348,632				57,350,698
Business support services	27,585,960		2,404,961				29,990,921
Community services	328,092		7,195,204				7,523,296
Transportation	55,144,894		4,974,319				60,119,213
Plant operations and maintenance	81,801,077		35,235				81,836,312
Other instructional support services			337,688				337,688
Building renovations	4,258,847		9,000		29,389,569	2,633,129	36,290,545
Other			534,566				534,566
Debt service							
Principal							
Interest							
Total Expenditures	670,227,150	43,464	133,784,472			35,384,486	868,829,141

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
- Governmental Funds--Continued

Jefferson County Board of Education

Year Ended June 30, 2005

	General Fund	Special Activities Fund	Grants & Awards Fund	Capital Projects Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues In Excess of (Less Than) Expenditures	3,261,550	225,226	(7,606,496)		(27,020,669)	9,152,995	(21,987,394)
Other Financing Sources (Uses)							
Proceeds of school building bonds, net of discount					41,349,247		41,349,247
Transfers to other fund types	(839,490)				(2,162,114)		(3,001,604)
Operating transfers in	3,685,165	500,000	8,278,912		25,275,592	28,113,354	65,853,023
Operating transfers out	(4,241,744)	(5,350,560)	(672,416)	\$ (7,363,378)	(87,894)	(48,137,031)	(65,853,023)
Total Other Financing Sources (Uses)	(1,396,069)	(4,850,560)	7,606,496	(7,363,378)	64,374,831	(20,023,677)	38,347,643
Net Change in Fund Balances	1,865,481	(4,625,334)		(7,363,378)	37,354,162	(10,870,682)	16,360,249
Fund Balances, Beginning of Year	50,666,010	4,625,334		7,363,378	19,370,830	11,064,339	93,089,891
Fund Balances, End of Year	\$ 52,531,491	\$	\$	\$	\$ 56,724,992	\$ 193,657	\$ 109,450,140

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds \$ 16,360,249

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Repayment of bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 25,041,655

Bond proceeds received increase the long-term liabilities in the Statement of Net Assets and are not reported in the Statement of Activities. Governmental funds report these inflows as Other Financing Sources. 20,063,004

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (40,040,804)

Change in Net Assets of Governmental Activities (1,811,827)

\$ 19,612,277

See Notes to the Financial Statements

Statement of Net Assets - Proprietary Funds

Jefferson County Board of Education

June 30, 2005

	Enterprise Funds			
	School Food Services	Adult Education	Tuition Pre-School	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,369,226	\$ 767,413		\$ 4,136,639
Accounts and grants receivable from outside sources	2,624,538		\$ 11,466	2,636,004
Inventories	1,875,447			1,875,447
Due from other funds	2,601,338		1,121,894	3,723,232
Total Current Assets	10,470,549	767,413	1,133,360	12,371,322
Capital Assets, net of accumulated depreciation	36,090,472			36,090,472
Total Assets	46,561,021	767,413	1,133,360	48,461,794
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities due to outside sources	125,148	2,497	672	128,317
Due to other funds	4,557,800	359,206	971,012	5,888,018
Current maturities of school building revenue bonds	1,606,000			1,606,000
Total Current Liabilities	6,288,948	361,703	971,684	7,622,335
School building revenue bonds	30,762,510			30,762,510
Total Liabilities	37,051,458	361,703	971,684	38,384,845
Net Assets				
Invested in capital assets, net of related debt	3,721,962			3,721,962
Unrestricted	5,787,601	405,710	161,676	6,354,987
Total Net Assets	\$ 9,509,563	\$ 405,710	\$ 161,676	\$ 10,076,949

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes in
Net Assets - Proprietary Funds

Jefferson County Board of Education

Year Ended June 30, 2005

	Enterprise Funds			
	School Food Services	Adult Education	Tuition Pre-School	Total
Operating Revenues				
Lunchroom sales	\$ 11,640,077			\$ 11,640,077
Tuition		\$ 579,633	\$ 922,461	1,502,094
Total Operating Revenues	11,640,077	579,633	922,461	13,142,171
Operating Expenses				
Salaries and personnel services	14,174,165	595,513	792,143	15,561,821
Employee benefits	2,616,853	33,652	103,250	2,753,755
Purchased property services	607,480			607,480
Other purchased services	512,844	115,253	1,764	629,861
Supplies and materials	15,290,049	77,817	12,646	15,380,512
Property	4,518,923	1,689		4,520,612
Miscellaneous	58,597	1,010	56,300	115,907
Depreciation	2,021,887			2,021,887
Other	115,845			115,845
Total Operating Expenses	39,916,643	824,934	966,103	41,707,680
Loss From Operations	(28,276,566)	(245,301)	(43,642)	(28,565,509)
Non-Operating Revenues (Expenses)				
Federal grants	21,528,395			21,528,395
State grants	437,266			437,266
Donated commodities	2,379,349			2,379,349
District support	2,264,196	635,132	82,814	2,982,142
Interest income	55,218	15,879		71,097
Interest expense	(1,364,244)			(1,364,244)
Total Non-Operating Revenues (Expenses)	25,300,180	651,011	82,814	26,034,005
Change in Net Assets	(2,976,386)	405,710	39,172	(2,531,504)
Net Assets, Beginning of Year, as restated	12,485,949		122,504	12,608,453
Net Assets, End of Year	<u>\$ 9,509,563</u>	<u>\$ 405,710</u>	<u>\$ 161,676</u>	<u>\$ 10,076,949</u>

See Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

Jefferson County Board of Education

Year Ended June 30, 2005

	Enterprise Funds			
	School Food Services	Adult Education	Tuition Pre-School	Totals
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,925,409	\$ 595,512	\$ (85,792)	\$ 9,435,129
Cash paid to suppliers	(18,636,293)	166,943	954,671	(17,514,679)
Cash paid to employees	(16,791,018)	(629,165)	(895,393)	(18,315,576)
Cash paid for other expenses	(174,442)	(1,010)	(56,300)	(231,752)
Net Cash Provided by (Used in) Operating Activities	(26,676,344)	132,280	(82,814)	(26,626,878)
Cash Flows From Capital and Related Financing Activities				
Additions to property and equipment	(1,289,986)			(1,289,986)
Disposals of property and equipment	95,914			95,914
District support	2,264,196	635,133	82,814	2,982,143
Interest paid, net	(1,309,026)			(1,309,026)
Payments of school building revenue bonds	1,859,600			1,859,600
Net Cash Provided By Capital and Related Financing Activities	1,620,698	635,133	82,814	2,338,645
Cash Flows from Noncapital Financing Activities				
Cash received for operational grants	21,965,661			21,965,661
Increase (Decrease) in Cash and Cash Equivalents	(3,089,985)	767,413		(2,322,572)
Cash and Cash Equivalents, Beginning of Year	6,459,211			6,459,211
Cash and Cash Equivalents, End of Year	<u>\$ 3,369,226</u>	<u>\$ 767,413</u>	<u>\$</u>	<u>\$ 4,136,639</u>

Continued

Statement of Cash Flows - Proprietary Funds--Continued

Jefferson County Board of Education

Year Ended June 30, 2005

	Enterprise Funds			
	School Food Services	Adult Education	Tuition Pre-School	Totals
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Loss from operations	\$ (28,276,566)	\$ (245,301)	\$ (43,642)	\$ (28,565,509)
Adjustments to reconcile loss from operations to cash provided by (used in) operating activities:				
Depreciation	2,021,887			2,021,887
Donated commodities used in operations	2,379,349			2,379,349
Change in accounts and grants receivable	(113,330)		(11,466)	(124,796)
Change in amounts due from other funds	(2,601,338)	15,879	(996,787)	(3,582,246)
Change in inventories	350,855			350,855
Change in amounts due to other funds	(369,866)	359,205	971,012	960,351
Change in accounts payable and accrued liabilities	(67,335)	2,497	(1,931)	(66,769)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (26,676,344)</u>	<u>\$ 132,280</u>	<u>\$ (82,814)</u>	<u>\$ (26,626,878)</u>

Summary of Noncash Financing Activity

During the year, the Board received \$2,379,349 of food commodities from the United States Department of Agriculture.

See Notes to the Financial Statements

Statement of Net Assets - Fiduciary Funds and Statement of Changes in Net Assets
- Fiduciary Funds

Jefferson County Board of Education

June 30, 2005

	Total Trust Funds	Total Agency Funds
Assets		
Cash and cash equivalents	\$ 473,798	\$ 4,554,310
Investments		1,600,310
Accounts and grants receivable from outside sources		108,638
Inventories		405,858
Due from other funds	42,234	781,545
	<u>516,032</u>	<u>7,450,661</u>
Total Assets	<u>516,032</u>	<u>\$ 7,450,661</u>
Liabilities		
Accounts payable and accrued liabilities due to outside sources		\$ 506,552
Due to other funds	83,832	325,800
Due to student groups		6,618,309
	<u>83,832</u>	<u>6,618,309</u>
Total Liabilities	<u>83,832</u>	<u>\$ 7,450,661</u>
Net Assets		
Held in trust for private purpose	<u>\$ 432,200</u>	

Statement of Changes in Fiduciary Net Assets

Additions	
Trustee contributions	\$ 348,953
Interest	2,843
Deductions	
Student support services	<u>38,148</u>
Net increase	313,648
Net Assets, Beginning of Year	<u>118,552</u>
Net Assets, End of Year	<u>\$ 432,200</u>

See Notes to Financial Statements

Notes to Financial Statements

Jefferson County Board of Education

June 30, 2005

Note A--Reporting Entity

The Jefferson County Board of Education (the "Board") is established under and governed by the Kentucky School Laws and maintains a system of schools primarily for kindergarten through twelfth grade, but also including pre-school, vocational and adult education. The Board is a school district of the Commonwealth of Kentucky having boundaries coterminous with the boundaries of Jefferson County, excluding the City of Anchorage.

The accompanying financial statements include all funds and activities over which the Board exercises oversight responsibility, including the Jefferson County School District Finance Corporation (the "Corporation"), a non-stock, not-for-profit corporation. The Corporation was created to act as an agency in the acquisition and financing of any capital project which may be undertaken by the Board. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Accounts of the Corporation are included in the financial statements as a capital projects fund.

The Board is not includable as a component unit within another reporting entity. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

Note B--Summary of Significant Accounting Policies

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Board has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Continued

Jefferson County Board of Education

June 30, 2005

Note B--Summary of Significant Accounting Policies--Continued

The following is a summary of the significant accounting policies:

District-wide and Fund Financial Statements--The District-wide financial statements (the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements report information on all the activities of the Board, except for the fiduciary funds. For the most part, the doubling-up effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to students or parents who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Board allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the District-wide Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting--The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and workers' compensation claims, are recorded only when payment is due.

Continued

Jefferson County Board of Education

June 30, 2005

Note B--Summary of Significant Accounting Policies--Continued

Revenues susceptible to accrual are property taxes, interest revenue and charges for services. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Board reports deferred revenue on its District-wide Statement of Net Assets and fund financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Board before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Board has a legal claim to the resources, the liability for deferred revenue is removed from the District-wide Statement of Net Assets and fund financial statements, and revenue is recognized.

Funds are classified into three categories: governmental, proprietary and fiduciary.

The Board reports the following major governmental funds:

The General Fund is the Board's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund. Local taxes account for 45.1% of the General Fund revenues, while the Support Education Excellence in Kentucky ("SEEK") program accounts for 26.0% of General Fund revenues. SEEK is a program that began in 1990 as the result of the Kentucky Education Reform Act ("KERA"), and is basically the method by which state funding is obtained.

The Special Activities Fund was a special revenue fund which received funds from various sources such as bequests, donations, or transfers from other funds at the discretion of management. Such funds were restricted for use as stipulated by the donor or management. This fund was eliminated during 2005 in order to be more comparable with other Kentucky public school districts, and all activities formerly accounted for in this fund were assumed by other funds.

The Grants and Awards Fund is another special revenue fund which accounts for the activities of specific education related programs in accordance with restrictions established by the various grantors (primarily the United States Government and state and local governments). This includes certain KERA grants which carry grantor restrictions related to expenditures.

The Capital Projects Fund accounted for funds generated by bond issues as well as the Kentucky Facilities Construction Commission's ("KSFCC") participation. During 2005, this fund was eliminated in order to be more comparable with other Kentucky public school districts. All activities formerly accounted for in this fund were assumed by other funds.

The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the Board are to be used at the discretion of the Board for construction projects in future years.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note B--Summary of Significant Accounting Policies--Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Board reports as a major proprietary fund the School and Community Nutrition Services ("Food") Program which provides certain food preparation at the Nutrition Center and serves breakfast and lunch at schools throughout Jefferson County.

Fiduciary funds are used to account for assets held on behalf of outside parties or on behalf of other funds within the Board. This fund consists of trust funds for various scholarship programs administered by the Board on behalf of the third-party donors, and agency funds held on behalf of student organizations and segregated among elementary schools, middle schools and high schools.

Cash and Cash Equivalents--The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories--Inventories are valued at the lower of cost, using the first in, first out method, or market. The School Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

In the governmental funds balance sheet, reported inventories in the general fund are equally offset by a reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Capital Assets--Capital assets include land, buildings, vehicles, office equipment, school equipment, and food service equipment, and are reported in the applicable governmental or business-type activities column in the District-wide Statement of Net Assets. The Board maintains a record of its capital assets, and those with a cost of \$1,000 or more are capitalized. Additions to capital assets are recorded at cost and depreciated using the straight-line method. The Board has elected not to capitalize interest on debt used to finance buildings.

Capital assets are depreciated over estimated useful lives as determined by the Kentucky Department of Education, as follows:

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note B--Summary of Significant Accounting Policies--Continued

	Estimated life (years)
Land and land improvements	20
Buildings	50
Building improvements	25
Carpet/tile	7
Technology equipment	5
School buses	10
Other vehicles	5
Rolling stock	15
Food service equipment	12
Furniture and fixtures	20
Audio-visual equipment	15
Other general equipment	10

Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Encumbrances are reported as a reservation of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2005, in the governmental funds balance sheet.

Property Tax Revenues--Property taxes are levied each November on the assessed value listed as of the prior January 1 for all real and personal property in the County. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending 30 days after the tax bill mailing.

Budgetary Principles--The Superintendent must submit the proposed budget for specific funds other than school-based activity funds (Agency Funds) to members of the Board each year. The Board will then discuss and, where so desired, amend the proposed budget and will adopt a final budget by September 30 of each fiscal year. Any adjustments to the adopted budget must be approved by the Board.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note B--Summary of Significant Accounting Policies--Continued

Budget information is presented for the General Fund and specific other funds. This budgetary data is prepared on the accrual basis of accounting. Budgetary receipts represent original estimates modified for any adjustments authorized by the Board during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations approved during the fiscal year. Although budgets are prepared on a line-item basis by cost center for each department, expenditures may legally exceed budget in these areas but may not exceed the budget in total.

Interfund Receivables and Payables--Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the Board arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables, other than those between governmental and fiduciary funds, have been eliminated on the District-wide Statement of Net Assets.

	<u>Due from other Funds Reported in General Fund</u>	<u>Due to other Funds Reported in General Fund</u>
Grants & Awards Fund	\$ 37,641,850	\$ 20,520,032
Construction Fund	5,408,443	31,490,709
Other nonmajor governmental funds	3,730,606	6,265
Enterprise Funds	5,888,017	3,723,232
Trust & Agency Funds	83,832	497,979
	<u>\$ 52,752,748</u>	<u>\$ 56,238,217</u>

Jefferson County Board of Education

June 30, 2005

Note C--Cash, Cash Equivalents and Investments

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures*, which is effective for periods beginning after June 15, 2004. Accordingly, the Board has adopted Statement No. 40 for the fiscal year ended June 30, 2005. Risk disclosure in previous financial statements under the provisions of GASB No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, focused only on custodial risk. GASB Statement No. 40 not only addresses custodial credit risk, but other common areas of investment risk as well (e.g. interest rate risk, credit risk, and concentration of credit risk).

Statutes authorize the Board to invest in the following:

- a. Obligations of the United States and of its agencies and instrumentalities, repurchase agreements, and specially approved AAA rated corporate bonds;
- b. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- c. Any savings and loan associations insured by an agency of the United States up to the amount insured;
- d. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

The Board's deposits are maintained in six designated financial institutions. Deposits at all these financial institutions are entirely insured by federal depository insurance or by collateral held by the financial institutions in the Board's name.

The Board had approved depository bonds of \$22,000,000 at designated banks during the year ended June 30, 2005.

During the year, the Board invests excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the Board's name.

Investments on the Statement of Net Assets for Agency funds consist of certificates of deposit by various schools' activity funds at several financial institutes located in Jefferson County, Kentucky, having various rates of interest and maturity dates greater than ninety days. Such investments are stated at cost, which approximates their market value. These investments are covered by depositor insurance or by collateral held by the financial institutions in the Board's name.

Financial instruments which potentially subject the Board to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note D--Receivables

The Board recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the Board receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

Accounts and grants receivable from outside sources	Governmental Funds	Proprietary Funds	Total
Accounts receivable	\$ 3,772,882	\$ 651,575	\$ 4,424,457
Bond proceeds receivable	21,023,027		21,023,027
Taxes receivable	14,615,144		14,615,144
Grants receivable	39,247,540	1,984,429	41,231,969
	<u>\$ 78,658,593</u>	<u>\$ 2,636,004</u>	<u>\$ 81,294,597</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

The following is the Board's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	1% discount allowed
January 31, following year	Gross amount due
February 1, following year	Delinquent date, 1½ % interest added per month
April 1, following year	10% penalty added

Unpaid property taxes attach as an enforceable lien on real property as of the delinquent date. The Jefferson County Clerk's Office collects personal property tax on vehicles when registered. The Jefferson County Sheriff's Office bills and collects all property taxes on real estate and other personal property on behalf of the Board. Board property tax revenues are recognized when levied to the extent that they result in current receivables.

Although the Board has taxes receivable from a variety of constituents, a substantial portion of the debtors' ability to honor this debt is dependent upon the widely diverse economic environment of the Commonwealth of Kentucky and the local area.

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note E--Capital Assets

Activity in capital assets during the year ended June 30, 2005 consisted of the following:

	Balance June 30, 2004 As Restated	Additions	Dispositions	Balance June 30, 2005
Governmental Activities				
Land and land improvements	\$ 43,752,998	\$ 5,431,727		\$ 49,184,725
Buildings	661,762,737	22,264,380	\$ 230,241	683,796,876
Technology	94,412,680	9,670,812	5,162,062	98,921,430
Vehicles	56,364,504	9,537,837	31,362	65,870,979
General	20,253,251	1,847,663	685,966	21,414,948
	876,546,170	48,752,419	6,109,631	919,188,958
Less accumulated depreciation	461,080,961	32,325,250	5,614,815	487,791,396
	<u>\$415,465,209</u>	<u>\$ 16,427,169</u>	<u>\$ 494,816</u>	<u>\$431,397,562</u>
	Balance June 30, 2004 As Restated	Additions	Dispositions	Balance June 30, 2005
Business-type Activities				
Land and land improvements	\$ 1,000,000			\$ 1,000,000
Vehicles	972,468			972,468
Computers	572,882	\$ 66,833	\$ 15,763	623,952
Equipment	21,458,953	1,175,153	803,374	21,830,732
Buildings	40,087,231	48,000		40,135,231
	64,091,534	1,289,986	819,137	64,562,383
Less accumulated depreciation	27,173,246	2,021,887	723,222	28,471,911
	<u>\$ 36,918,288</u>	<u>\$ (731,901)</u>	<u>\$ 95,915</u>	<u>\$ 36,090,472</u>

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note E--Capital Assets--Continued

Depreciation expense for business-type activities was entirely incurred in the operation of the Board's school food services program. Depreciation for governmental activities is included in the following functional categories:

Instruction	\$ 6,849,395
District Administrative Support Services	4,653,932
Business Support Services	2,381,870
Plant Operation and Maintenance	1,686,625
Student Transportation	15,836,906
Other	916,522
	<hr/>
	\$ 32,325,250

Note F--Long-Term Liabilities

School Building Revenue Bonds

1994	Series B, interest rates ranging from 4.8% to 4.875%, principal and interest payable semiannually on March 1 and September 1, with maturities through 2009	\$ 4,030,000
1995	Series A, interest rate of 5.25%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2005	1,285,000
1998	Series A, interest rates ranging from 4.3% to 5.0%, principal and interest payable semiannually on February 1 and August 1, with maturities through 2018	10,815,000
1998	Series B, interest rates ranging from 4.3% to 4.5%, principal and interest payable semiannually on February 1 and August 1, with maturities through 2011	9,675,000
1998	Series C, interest rate of 4.5%, principal and interest payable semiannually on February 1 and August 1, with maturities through 2019	46,765,000
1999	Series A, interest rates ranging from 5.0% to 5.25%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2019	40,535,000
1999	Series B, interest rates ranging from 5.0% to 5.25%, principal and interest payable semiannually on June 1 and December 1, with maturities through 2019	14,755,000

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note F--Long Term Liabilities --Continued

2000	Series A, interest rates ranging from 5.125% to 5.25%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2020	32,330,000
2001	Series 2000 QZAB, non-interest bearing and full bond liability due at maturity in September 2012	5,500,000
2001	Series A, interest rates ranging from 4.0% to 5.0%, principal and interest payable semiannually on April 1 and October 1, with maturities through 2021	15,365,000
2001	Series B, interest rates ranging from 4.25% to 4.5%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2013	10,695,000
2002	Series A, interest rates ranging from 4.7% to 5.5%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2022	34,960,000
2002	Series B, interest rates ranging from 3.125% to 4.75%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2022	27,685,000
2003	Series A, interest rates ranging from 3.0% to 3.5%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2015	47,205,000
2004	Series A, interest rates ranging from 2.0% to 4.5%, principal and interest payable semiannually on January 1 and July 1, with maturities through 2024	29,375,000
2004	Series B, interest rates ranging from 3.0% to 4.0%, principal and interest payable semiannually on May 1 and November 1, with maturities through 2016	37,735,000
2004	Series C, interest rates ranging from 2.0% to 4.375%, principal and interest payable semiannually on March 1 and September 1, with maturities through 2024	20,635,000
2005	Series A, interest rates ranging from 3.5% to 4.375%, principal and interest payable semiannually on April 1 and October 1, with maturities through 2025	21,155,000
		<u>\$ 410,500,000</u>

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note F--Long-Term Liabilities--Continued

Bonds outstanding as of June 30, 2005, are reported in the accompanying District-wide Statement of Net Assets as follows:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Governmental activities	\$ 18,469,000	\$ 359,662,490	\$ 378,131,490
Business-type activities	<u>1,606,000</u>	<u>30,762,510</u>	<u>32,368,510</u>
	<u>\$ 20,075,000</u>	<u>\$ 390,425,000</u>	<u>\$ 410,500,000</u>

The School Building Revenue Bonds listed below are subject to redemption prior to their stated maturity dates at the option of the Board. The redemption prices include a premium of 1% to 3% of the outstanding principal amounts. The earliest allowable redemption dates for each Series are as follows:

1998 Series A	February 2008
1998 Series B	February 2008
1998 Series C	February 2009
1999 Series A	July 2009
1999 Series B	July 2009
2000 Series A	January 2010
2001 Series A	April 2011
2001 Series B	July 2011
2002 Series B	June 2012
2003 Series A	January 2013
2004 Series A	January 2014
2004 Series B	May 2014
2004 Series C	June 2015
2005 Series A	September 2014

In connection with most of the above listed bond issues, the Board has entered into participation agreements with the Kentucky School Facilities Construction Commission (the "Commission") which provides that the Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2005. Should approval not be received in future periods, the Board remains obligated for the full amount of the bond principal and interest payments.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note F--Long-Term Liabilities--Continued

Assuming no issues are called prior to scheduled maturity and continued Commission participation, the minimum obligations of the Board at June 30, 2005 for debt service are as follows:

Year Ending June 30	Principal	Interest	Total Repayments	Less: Commission Participation	Net Repayments
2006	\$ 20,075,000	\$ 17,551,971	\$ 37,626,971	\$ 8,043,938	\$ 29,583,033
2007	20,790,000	16,847,320	37,637,320	8,042,301	29,595,019
2008	23,045,000	16,116,933	39,161,933	8,044,927	31,117,006
2009	23,915,000	15,196,224	39,111,224	8,050,082	31,061,142
2010	24,765,000	14,227,155	38,992,155	8,045,590	30,946,565
2011-2015	126,730,000	56,190,787	182,920,787	25,655,909	157,264,878
2016-2020	114,370,000	28,370,238	142,740,238	22,498,868	120,241,370
2021-2025	56,810,000	5,830,773	62,640,773	8,587,634	54,053,139
	<u>\$ 410,500,000</u>	<u>\$ 170,331,401</u>	<u>\$ 580,831,401</u>	<u>\$ 96,969,249</u>	<u>\$ 483,862,152</u>

The bonds payable are collateralized by the educational facilities constructed by the Board with bond proceeds.

The Board issued refunding bonds to defease certain outstanding bonds, for the purpose of consolidation and to achieve debt service savings. The proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and liabilities for all defeased bonds are not included in the accompanying District-wide Statement of Net Assets or governmental funds Balance Sheet.

Although defeased, the funded debt will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of June 30, 2005, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was \$52,490,000.

Qualified Zone Academy Bond--On September 28, 2000, the Board issued \$5,500,000 in Special Obligations School Financing Bond Series 2000 as a Qualified Zone Academy Bond ("QZAB") pursuant to Section 1297E of the Internal Revenue Code, to finance capital projects for public schools.

The Board makes semi-annual payments in the amount of \$132,640 to an escrow account at a local bank. Such payments will be held in trust and invested at an interest rate of 5.0% in accordance with the funding agreement. The final annual principal payment is due September 28, 2012, at which time the QZAB will mature.

Continued

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note F--Long-Term Liabilities--Continued

Estimated Liability for Workers' Compensation Benefits--The estimated liability for workers' compensation benefits consists of claim settlements for reported and outstanding claims and estimated claim settlements for incurred but not reported claims (based upon historical experience). Estimated claim settlements for incurred but not reported claims are discounted at 6% over the anticipated payment periods to reflect the time value of money. This liability, along with certain related assets and liabilities, is accounted for within the Workers' Compensation Trust Fund, which is a self-insurance fund administered by the Board for the purpose of providing workers' compensation insurance to employees of the Board.

The Board maintained reinsurance covering that portion of risks in excess of \$300,000 for any one occurrence and for aggregate losses in excess of approximately \$3.5 million for the year ended June 30, 2005. The limit is subject to audit by the Board's insurer. The Board remains liable to the extent that claims are less than the amount of reinsurance coverage or if the reinsuring company is unable to pay its portion of claims.

Accrued Vacation Pay and Sick Leave--In accordance with generally accepted governmental accounting principles, the Board has recorded accrued vacation pay and accrued sick leave as liabilities (long-term) in the District-wide Statement of Net Assets since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued vacation pay, which may be accumulated for a period of up to two years, is payable upon termination of employment. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2005, is as follows:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities:				
School building				
revenue bonds	\$ 356,746,090	\$ 38,446,800	\$ (17,061,400)	\$ 378,131,490
Estimated liability				
for workers'				
compensation				
benefits	6,891,229	2,658,468		9,549,697
Accrued vacation pay	6,310,490	5,183,286	(5,280,059)	6,213,717
Accrued sick leave	30,473,000	30,312,813	(31,012,813)	29,773,000
	<u>\$ 400,420,809</u>	<u>\$ 76,601,367</u>	<u>\$ (53,354,272)</u>	<u>\$ 423,667,904</u>
Business-type Activities:				
School building				
revenue bonds	<u>\$ 30,508,910</u>	<u>\$ 3,343,200</u>	<u>\$ (1,483,600)</u>	<u>\$ 32,368,510</u>

Jefferson County Board of Education

June 30, 2005

Note G--Retirement Plans

Classified Employees--Classified employees (substantially all full-time Board employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the Board is required to contribute at an actuarially determined rate. The current rate is 7.34% of the employee's total covered compensation. The contribution requirements of Plan members and the Board are established and may be amended by the Kentucky Retirement System's Board of Trustees. The Board's contributions to CERS for the years ended June 30, 2005, 2004, and 2003 were approximately \$12,746,000, \$10,612,000 and \$8,807,000, respectively, equal to the required contribution for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Certified Employees--Certified employees are covered by the Kentucky Teachers' Retirement System ("KTRS"), a cost-sharing multiple-employer defined benefit plan. KTRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 9.855% of their annual covered compensation, and the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the Board's certified employees, amounting to \$49,601,340, are reflected in the accompanying financial statements as both revenues and expenses/expenditures. Effective July 1, 2002, the Commonwealth of Kentucky required payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2005, this funding amounted to approximately \$3,672,000.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Retirement Plan--The Board makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The Board does not contribute to the Plans.

Jefferson County Board of Education

June 30, 2005

Note H--Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The Board therefore does not show these assets and liabilities on its financial statements.

Note I--Post-Employment Health Care Benefits

Retired Board employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

Note J--Commitments

On June 30, 2005, the Board had outstanding commitments for construction approximating \$46,426,000.

Note K--Contingencies

The Board is subject to legal actions in various stages of litigation. Based on the advice of counsel, management of the Board does not anticipate that there will be any material effect on the financial position of the Board as a result of the litigation presently in progress.

In the normal course of operations, the Board receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the Board operates in a heavily regulated environment. The operations of the Board are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change. Currently, the Board has budgeted for such unfunded and underfunded mandates as Early Childhood (\$5.6 million), student transportation (\$16.7 million), English as a Second Language (\$5.4 million), and the State Agency Children's Program (\$1.1 million).

Notes to Financial Statements--Continued

Jefferson County Board of Education

June 30, 2005

Note L--Insurance and Related Activities

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicle accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance.

Note M--Changes in Certain Beginning Net Assets

In the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds (page 20), the beginning net assets balance of the School Food Service Fund has been decreased by approximately \$.7 million primarily to reflect certain reclassifications of capital assets between Business-type activities and Governmental activities. This change also decreased the beginning net assets on the Statement of Activities (page 14). Also on the District-wide Statement of Activities (page 14), the beginning net assets balance for Governmental activities was increased approximately \$12.6 million to reflect the reclassifications noted above and additional capital assets identified by the Board that had not been previously reported.

Required Supplementary Information

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2005

	General Fund			
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Local sources				
Property taxes	\$ 225,575,559	\$ 225,575,559	\$ 222,169,810	\$ (3,405,749)
Occupational taxes	94,700,000	94,700,000	98,668,074	3,968,074
Other taxes	36,116,776	36,116,776	32,292,591	(3,824,185)
State sources				
SEEK program	210,237,000	210,237,000	211,677,385	1,440,385
Other state revenues	159,859	159,859	99,966,546	99,806,687
Interest	877,836	1,577,836	2,040,687	462,851
Other sources	5,580,000	5,770,000	6,673,607	903,607
Total Receipts	573,247,030	574,137,030	673,488,700	99,351,670
Disbursements				
Instruction	311,849,527	302,942,721	369,824,411	66,881,690
Student support services	24,761,658	24,356,598	28,968,826	4,612,228
Instructional staff support services	32,484,838	34,749,722	41,583,816	6,834,094
District administration support services	4,517,287	3,058,032	3,729,161	671,129
School administration support services	50,773,121	51,414,526	57,002,066	5,587,540
Business support services	50,490,714	51,349,948	27,585,960	(23,763,988)
Plant operations and maintenance	71,544,011	69,829,954	81,801,077	11,971,123
Student transportation	40,317,823	47,931,128	55,144,894	7,213,766
Central Office	510,292			
Community services operations	249,662	247,497	328,092	80,595
Architecture and engineering	499,777	480,094	564,447	84,353
Building renovations	2,094,589	3,746,710	3,694,400	(52,310)
Total Disbursements	590,093,299	590,106,930	670,227,150	80,120,220
Receipts in Excess of (Less Than) Disbursements	\$ (16,846,269)	\$ (15,969,900)	\$ 3,261,550	\$ 19,231,450

See Management's Discussion and Analysis, page 10, for explanation of budget variances.

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2005

	Special Activities Fund			
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Interest	\$ 50,000	\$ 50,000	\$ 48,168	\$ (1,832)
Other sources	1,450,000	1,450,000	220,522	(1,229,478)
Total Receipts	1,500,000	1,500,000	268,690	(1,231,310)
Disbursements				
Instruction	1,500,000	1,500,000	43,464	(1,456,536)
Total Disbursements	1,500,000	1,500,000	43,464	(1,456,536)
Receipts in Excess of (Less Than) Disbursements	<u>\$</u>	<u>\$</u>	<u>\$ 225,226</u>	<u>\$ 225,226</u>

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2005

	Grants & Awards Fund			
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Grants	\$ 122,401,660	\$ 115,884,169	\$ 124,218,067	\$ 8,333,898
Interest		4,182	32,381	28,199
Other Sources		504,363	1,927,528	1,423,165
Total Receipts	122,401,660	116,392,714	126,177,976	9,785,262
Disbursements				
Instruction	65,490,024	73,882,398	67,768,807	(6,113,591)
Student support services	813,759	3,164,234	2,573,952	(590,282)
Instructional staff support services	35,408,587	58,825,907	47,565,766	(11,260,141)
Other instructional	352,775	715,723	337,688	(378,035)
District administration support services		99,473	36,342	(63,131)
School administration support services	229,418	273,725	348,632	74,907
Business support services	10,428,932	3,067,494	2,404,961	(662,533)
Plant operations and maintenance	69,997	8,941	35,235	26,294
Student transportation	926,074	3,182,484	4,974,319	1,791,835
Central office support	841,155			
Community service operations	7,035,635	7,681,878	7,195,204	(486,674)
Building renovations			9,000	9,000
Adult Education Operations	805,304	523,291	534,566	11,275
Total Disbursements	122,401,660	151,425,548	133,784,472	(17,641,076)
Receipts in Excess of (Less Than) Disbursements	\$	\$ (35,032,834)	\$ (7,606,496)	\$ 27,426,338

See Notes to Financial Statements

Statement of Receipts and Disbursements - Budget and Actual

Jefferson County Board of Education

Year Ended June 30, 2005

Construction Fund				
	Working Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Interest	\$ 100,000	\$ 490,568	\$ 551,149	\$ 60,581
Other sources	<u>34,055,900</u>	<u>63,206,471</u>	<u>1,817,751</u>	<u>(61,388,720)</u>
Total Receipts	34,155,900	63,697,039	2,368,900	(61,328,139)
Disbursements				
Building improvements	<u>56,233,094</u>	<u>96,072,166</u>	<u>29,389,569</u>	<u>(66,682,597)</u>
Receipts in Excess of (Less Than) Disbursements	<u>\$ (22,077,194)</u>	<u>\$ (32,375,127)</u>	<u>\$ (27,020,669)</u>	<u>\$ 5,354,458</u>

See Notes to Financial Statements

Combining Balance Sheet - Nonmajor Governmental Funds

Jefferson County Board of Education

June 30, 2005

	Building Tax Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,936,582		\$ 3,936,582
Due from other funds		\$ 6,265	6,265
Total Assets	<u>\$ 3,936,582</u>	<u>\$ 6,265</u>	<u>\$ 3,942,847</u>
Liabilities			
Accounts payable and accrued liabilities due to outside sources	\$ 18,584		\$ 18,584
Due to other funds	<u>3,730,606</u>		<u>3,730,606</u>
Total Liabilities	3,749,190		3,749,190
Fund Balances			
Reserved for encumbrances	187,392		187,392
Unreserved, designated		\$ 6,265	6,265
Total Fund Balances	<u>187,392</u>	<u>6,265</u>	<u>193,657</u>
Total Liabilities and Fund Balances	<u>\$ 3,936,582</u>	<u>\$ 6,265</u>	<u>\$ 3,942,847</u>

See Notes to Financial Statements

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds

Jefferson County Board of Education

Year Ended June 30, 2005

	Building Tax Fund	SEEK Capital Outlay Fund	Technology Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
Local sources					
Property taxes	\$ 23,038,155				\$ 23,038,155
Other taxes	5,075,546				5,075,546
State sources					
SEEK program		\$ 8,242,970			8,242,970
KSFCC allocation				\$ 8,012,992	8,012,992
Interest	42,601	15,051		7,415	65,067
Other Sources	102,751				102,751
Total Revenues	28,259,053	8,258,021		8,020,407	44,537,481
Expenditures					
Capital outlay	596,419	569,393	\$ 1,467,317		2,633,129
Debt service					
Principal				17,061,400	17,061,400
Interest				15,689,957	15,689,957
Total Expenditures	596,419	569,393	1,467,317	32,751,357	35,384,486
Revenues in Excess of (Less Than) Expenditures	27,662,634	7,688,628	(1,467,317)	(24,730,950)	9,152,995
Other Financing Sources (Uses)					
Operating transfers in		570,233		27,543,121	28,113,354
Operating transfers out	(37,070,521)	(8,260,604)		(2,805,906)	(48,137,031)
Total Other Financing Sources (Uses)	(37,070,521)	(7,690,371)		24,737,215	(20,023,677)
Net Change in Fund Balances	(9,407,887)	(1,743)	(1,467,317)	6,265	(10,870,682)
Fund Balances, Beginning of Year	9,595,279	1,743	1,467,317		11,064,339
Fund Balances, End of Year	\$ 187,392	\$	\$	\$ 6,265	\$ 193,657

See Notes to Financial Statements

Combining Statement of Net Assets - Fiduciary Funds and
Statement of Changes in Net Assets - Fiduciary Funds

Jefferson County Board of Education

June 30, 2005

	Trust Funds		Agency Funds				
	Russell Figgs Trust Fund	Katherine S. Avellar Trust Fund	Total Trust Funds	High School Activity Fund	Middle School Activity Fund	Elementary School Activity Fund	Total Agency Funds
Assets							
Cash and cash equivalents		\$ 473,798	\$ 473,798	\$ 2,595,806	\$ 732,073	\$ 1,236,431	\$ 4,554,310
Investments				1,299,207	204,749	33,992	1,600,310
Accounts and grants receivable							
Inventory				50,244	25,227	33,167	108,638
Due from outside sources				178,061	79,725	148,072	405,858
Due from other funds	\$ 1,258	40,976	42,234	175,578	129,814	86,068	781,545
Total Assets	1,258	514,774	516,032	\$ 4,288,896	\$ 1,171,588	\$ 1,537,730	\$ 7,450,661
Liabilities							
Accounts payable and accrued liabilities							
liabilities due to outside sources				\$ 339,866	\$ 90,996	\$ 75,680	\$ 506,552
Due to other funds		83,832	83,832	294,200	1,262	30,338	325,800
Due to student groups				3,654,830	1,079,330	1,431,702	6,618,909
Total Liabilities		83,832	83,832	\$ 4,288,896	\$ 1,171,588	\$ 1,537,730	\$ 7,450,661
Net Assets							
Held in trust for private purpose	\$ 1,258	\$ 430,942	\$ 432,200				
Statement of Changes in Fiduciary Net Assets - Trust Funds							
Additions							
Trustee contributions		\$ 348,953	\$ 348,953				
Interest	\$ 3	2,840	2,843				
Deductions							
Student support services		38,148	38,148				
Net Increase	3	313,645	313,648				
Net Assets, Beginning of Year	1,255	117,297	118,552				
Net Assets, End of Year	\$ 1,258	\$ 430,942	\$ 432,200				

See Notes to Financial Statements